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Memorandum

**TO: Board of Administration for the
Police & Fire Retirement Plan**

FROM: Donna Busse

**SUBJECT: Police Tier 2 Implementation
Plan**

DATE: July 24, 2013

Approved

Roberto A. Pera

Date

7/24/13

INFORMATIONAL

BACKGROUND

At the June 6, 2013, the Board discussed the Ordinance implementing a second tier of retirement benefits for Police members scheduled to be on the City Council Agenda for their first reading on June 11, 2013. The Board requested that staff return in August with an implementation plan for the new tier.

ANALYSIS

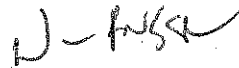
Elsewhere on the agenda, the Board is discussing the timing of the implementation of the Police Tier 2 and the fiscal year 2013-14 contribution rates for the members in the new tier. Subject to the confirmation of the Tier 2 contribution rates, the implementation plan by the Department of Retirement Services ("DRS") is as follows:

1. Basic Business Processes (<Week):
 - a. Business Processes:
 - i. Receive Contributions
 - ii. Accumulate YOS
 - iii. Identify New Plan(s) Member
 - iv. Return Contributions
 - v. Protect System – Ensure these new processes don't affect existing processes inadvertently.
 - b. Information Necessary:
 - i. Effective Date
 - ii. Contribution Structure

1. Breakdown of contribution rates
 2. Refundability of contributions
 3. Actuarial treatment of assets (accounting)
 - c. Coordination
 - i. Timing of when necessary information is received and effective date
 - ii. Payroll/HR can transmit data in required format
 - iii. Actuarial Valuations and Board adoption of contribution rates
2. Develop New Employee Orientation (In process)
 - a. Activity:
 - i. Review Ordinance for differences from Tier 1 (Done)
 - ii. Develop Presentation for new hires
 - iii. Develop Tier 2 Fact Sheet – This was done by the Office of Employee Relations for Federated Tier 2 with review by DRS.
 - b. Items to Consider:
 - i. Need contribution rates
 - ii. If questions from actuary and legal counsel result in changes to the Ordinance/SJMC.
3. Develop new tier in Pension Administration System (2 – 3 Years)
 - a. Steps to Implementation:
 - i. Discuss interpretation of Ordinances
 - ii. Develop and draft systems specifications for new plan design
 - iii. Review of specifications by appropriate parties (actuary, staff, legal, etc.)
 - iv. Dialogue between DRS and Software vendor on specifications
 - v. Staff coordinates with other City Departments as necessary
 - vi. Vendor submits timeline and cost for deliverables
 - vii. Upon approval, vendor begins work on new system development
 - viii. Vendor delivers software to test
 - ix. Staff begins testing
 - x. Staff reports issues to Vendor for resolution
 - xi. Staff completes testing and releases into the live system
 - xii. Repeat all steps as needed until all business processes are live.
 - b. Items to Consider:
 - i. Board approved installation of new Pension Administration System (“PAS”). The development of the Police Tier 2 will be included in the requirements for implementing the new system.
 - ii. The possibility of new tiers was part of the RFP scope of services.
 - iii. The current system has approximately 30 primary business processes.
 - iv. Business processes can be phased-in based on priority of the process.
 - v. Manual work-arounds can be done in most cases until the programming is complete for a process.

c. Coordination

- i. Coordinate with Payroll/Finance, HR, Actuary, Legal, and OER for information necessary to implement.
- ii. Coordinate with PAS Vendor for writing of code
- iii. Payroll/HR will need to transmit data in required format – City Finance Department is in the process of a system review/RFP.



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